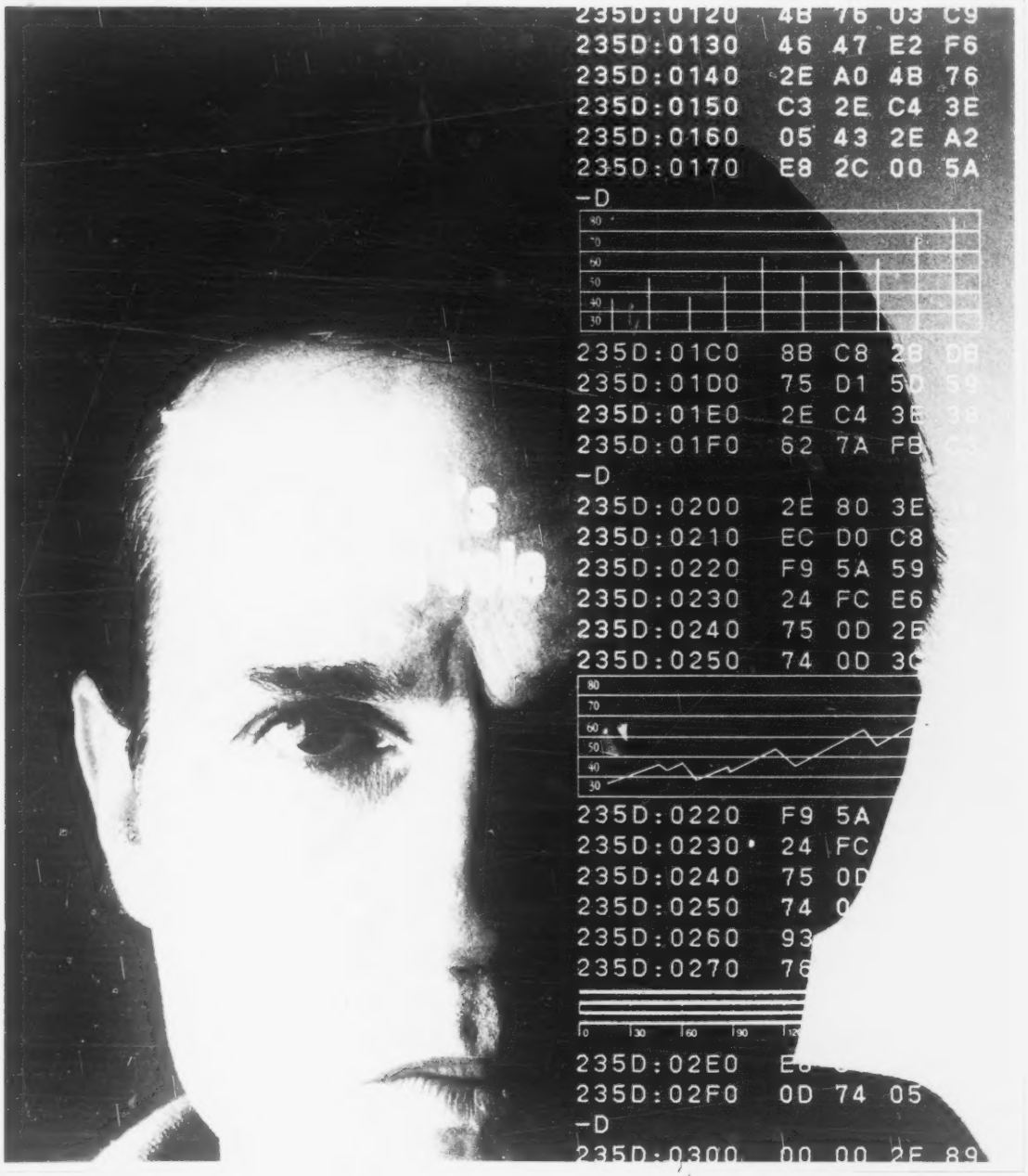

MRO cuts costs • The packaging outlook

Foreign sourcing • That's the deal—take it or leave it!

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Long-lived gloves

Useful life can often be more important a buying determinant than initial price—especially when buying consumables like work gloves.

Purchasing 101? Sure. But all too often the idea is forgotten in the race to find the lowest-priced supplier.

A recent example supplied to *PurchasingWorld* by Linda K. Ferrell of York, PA-based Cole Office Environments: When the senior buyer first joined the firm in mid-1987 she was immediately confronted with a major problem: The wasted money that the company continually poured into its work glove inventory.

Sure, the price of the foreign-made work gloves purchased at that time was low (only $1/pair). But they lasted only three hours, which meant higher inventories, continual replacements, and a not-so-cheap 33¢/hour cost for this protective gear.

An alternate turned up by Ms. Ferrell cost more than double per pair ($2.50). But detailed calculations showed that total cost was a lot less—for these initially more expensive gloves (made by Jomac Products) could last 4 work hours and be laundered twice at minimal cost.

In any case, the per-hour cost of these new gloves came to only 11¢/hour—one third that of the cheaper imports. Other pluses: Glove inventories were reduced. Ditto, worker injuries as the improved gloves were used more intensively by workers. *Jomac Products.* **Circle 42**

Free bar code design guide

Handy, comprehensive guide from Computype contains descriptions and diagrams showing size ratios of more than 12 elements that must be considered when designing you bar code label. A grid is provided as a guide for the design and an '800' number is offered in case you need help. You can mail your completed label design to Computype and receive a free, no-obligation need analysis. *Computype, Inc.* **Circle 105**

Removable folder labels eliminate a nuisance

File folders can be reused, and there's no unsightly build-up of labels, using Post-it labels from 3M. Like other Post-it products, the labels are easily realigned and repositioned or removed without tearing the folder or leaving behind an adhesive residue.

A full coating of Post-it adhesive means that labels attach securely and stay in place on the folder for as long as needed. In comparison, the adhesive used on conventional file folder labels tends to yellow or dry out over time.

One-third cut labels come in a choice of 12 border colors; one-fifth cut in eight colors. *3M Commercial Office Supply Division.* **Circle 133**

VMA takes on service, repair problems

Valve manufacturers are still concerned about bogus valves (rebuilt and surplus valves sold as new); valves passed off as made by another company (counterfeit valves); valves not rebuilt to manufacturers' specs and valves sold for the wrong application (sometimes purposely mislabeled). It has launched a campaign to alert valve buyers to the problem. Recently VMA announced another campaign which concerns shoddy valve repairs.

The VMA has appointed a Service Council whose goal is to alert valve users to the problem and its dangers and to come up with a list of VMA-authorized service and repair facilities. The Council will also encourage VMA members to add or expand in-house service and repair centers and it will encourage franchising VMA-authorized valve rebuilders, who will work closely with valve manufacturers. For a list of VMA-authorized service and repair operations **Circle 292**

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by Robert S. Reichard, editor-in-chief

Light at the end of the tunnel?

There may be a light at the end of the inflation tunnel.

Price hikes still far outnumber the scattered reductions that some purchasing executives manage to negotiate. And price averages—as measured by Uncle Sam's broad-gauge producer and consumer price indexes—have been advancing at a faster-than-1988 pace. Yet the above has to be weighed against these positive signs:

- **Import prices are no longer rising.** The average incoming quote (ex petroleum) actually managed a small reduction last month—thanks in large part to the stabilization of the dollar after a long fall. And while nobody expects a continuing downtrend, the consensus is that import tags (again, ex petroleum) will rise far less than in 1988 when the average incoming shipment jumped a hefty 7%.

There could be a domestic impact here, too—namely additional competitive pressures on U.S. vendors. With more stable import tags, they may think twice before posting big new increases.

- **Buyer price reports are not all that bad.** The latest NAPM Business Survey Committee inflation index was clocked in at 68.3. While still far above the neutral 50 level (when increases and decreases balance each other out), the yardstick is nevertheless at its lowest point in 22 months (except for the past February). NAPM further notes the index has been "in an overall declining trend since mid-1988"
- **Resistance to increases is stiffening.** Big steel buyers like the automakers are ready to fight steel mill increases on new long-term contracts. Moreover, recent *PurchasingWorld* surveys suggest the resistance has spread to a lot of other product areas—with purchasing managers demanding detailed cost justification before agreeing to any significant price increases.

This resistance is also becoming more apparent on the consumer level. Families are going out of their way to shop around for bargains—helping to perpetuate price discounts at thousands of stores.

- **The Fed is also doing its part.** Both the narrow and broad measures of the money supply have shown little growth since the middle of last year—thus depriving inflation of the fuel it needs to accelerate.

But beyond these factors are the continued lack of both demand/pull and labor-cost/push inflation. On the demand/pull front, operating rates have flattened out at just a shade under the 85% level. That's still well below the peaks of the 1970s. More important, those utilization rates are more likely to go down than up—as increasing potential comes onstream at a time when demand gains are expected to decelerate.

Another sign of adequate supply: The slowdown in vendor deliveries seems to be running out of

Continued on next page...

Semiconductor picture clears

The 1989 semiconductor market is coming into sharper focus. Volume could show some fair-sized gains (though a bit under last year's advances). But because of the price declines the dollar increases should be minimal.

That's the latest forecast from Henderson Ventures. The Los Altos, CA-based consulting firm sees only a 2.2% dollar advance in U.S purchases of semiconductors—nowhere near the 31% jump of 1988.

But as suggested, prices are the key in the big shift. Factor out last year's 17.5% price boost and this year's estimated 8% price decline—and the unit figures aren't all that much apart—up 10% this year *versus* 13.5% in 1988.

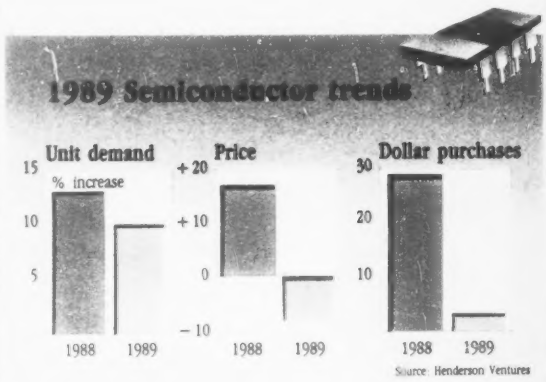
On the other hand, not all lines will fare equally. In general, discrete devices and linear ICs will hold up relatively well, while digital IC sales decline. And within the digital IC sector, performance will be unbalanced—with the expected sharp decline in memory prices having a distorting impact on overall sales.

On the memory price outlook, Henderson notes that these chips are already way off because of rapidly improving supplies. Example: The spot price of 1 meg DRAMs was around $16 a month ago—compared to $32 last summer. Prices by year end may be below $10.

Henderson also provides some estimates for passive components. Overall current dollar growth is expected to decelerate—from 9.7% last year to about 5.2% over the current 12-month period.

The generally positive totals detailed above are premised on the expectation of continuing good end-use demands. A solid 8.1% gain is seen in dollar sales of industrial (including instruments) electronic equipment. The computer and office and commercial sectors won't be far behind—with 7.7% and 5.8% advances being projected.

The only weak spots: Consumer and military product lines where only 3.1% and 1.4% dollar advances are anticipated for the current year.

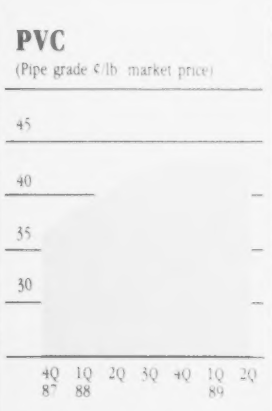


steam—with the latest 51 reading being only one point above the neutral 50 mark and the lowest such level in more than two years.

As for the labor-cost/push inflation—it's still nowhere to be seen. Wage hikes for the most part remain moderate. In fact, after adjusting for inflation, hourly earnings are actually below where they were at the end of last recession.

Moreover, talk of tight labor markets seems to be overdone. Use an alternate unemployment measure (one that includes both discouraged and involuntary part-time workers) and you end up with a 10.8% jobless rate—actually above the 9.7% reading of a decade ago.

All the above does not mean, of course, that we can afford to let our guard down. But given the facts, there's little to suggest that another inflationary spiral is in the making. Put another way, the combination of enhanced global competition, more capacity expansion and improving productivity (up 3.2% last year in the manufacturing sector) will put a lid on price increases—with 1989 advances in both the producer and consumer areas running only about one percentage point above last year's levels.



Polyvinyl chloride prices ease

Prices have softened a bit—with pipe grade resin off 1¢/lb. (to near 43¢/lb.). And two large producers are said to be quoting an even lower 42¢/lb. for volume buys. Credit the easing to both 1) demand deceleration (only a 2% gain is seen for the year, the same as in 1988 but well under the 9-10% advances of 1986 and 1987), and 2) rising capacity—expected to rise 8% this year on top of 1988's big 6% boost. Upshot: Operating rates will drop to near 85% this year (versus 90% in 1988).

Lead demand improves

Demand has improved a bit on somewhat larger battery maker purchases. But the recent mild winter (impacting on lead usage) has hurt. Also the market does not seem to have the upward momentum to sustain a rally during the coming seasonally slack period. Certainly there's little chance of tags moving above the current 35¢/lb. level—and they could well continue to slip from the 42¢/lb. peak of a few months back as supplies again begin to build up. Disappointing overall 1989 demand, too,

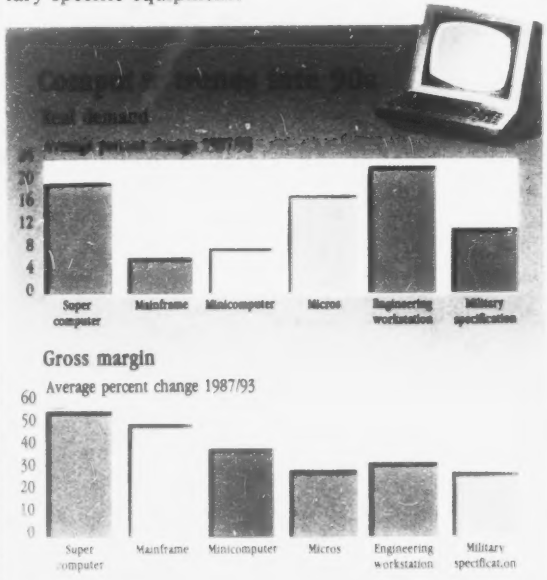
Continued on page 12...

Computer trends into the '90s

Look for relatively uneven gains in the still rapidly growing computer sector. So say a panel of experts (Wall Street analysts, industry consultants, vendor analysts, and large users and customers) participating in a new Wharton Econometric Forecasting Associates (WEFA) study.

Some of the group's key projections over the next few years (many of which are summarized in the chart alongside):

- Engineering workstations will lead the pack in demand gains—with the compound annual growth rate through 1993 put near 25%. Impetus will come from a combination of factors—including new applications, networking with mainframe and micro systems, UNIX standardization, falling prices, and the increasing availability of software.
- Supercomputers and microcomputers are expected to grow at only slightly slower rates (20% and 17.5%, respectively). The latter's growth should be fueled by 1) increasing software functionality and availability and 2) new applications—including networking, lower-end workstations and desk-top publishing.
- Prices are expected to continue trending down so that dollar shipment gains are likely to be smaller for all types.
- Profits are expected to be highest for supercomputers—primarily because of the application-specific nature of most installations and the relative lack of competition. The aggregate gross margin here is put at 55%.
- Price pressures in the micro market will hold down this category's average gross margin to 35%. That's not only under the 40% reading of the 1981-87 period, but the lowest return of all computer sectors except for military specific equipment.



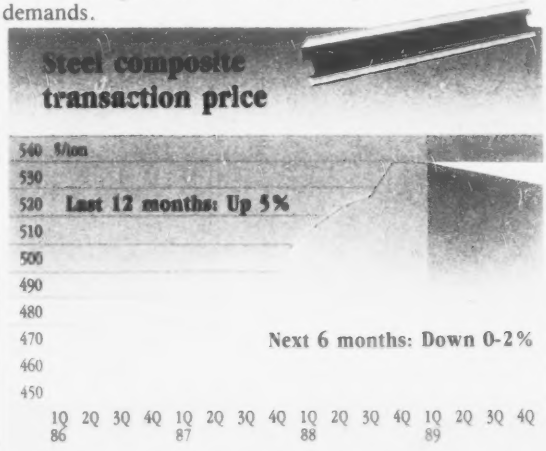
Durable goods prod steel gains

CURRENT SITUATION: A new 5% hike on a broad spectrum of products has just gone into effect. It follows a failed attempt (in January) to boost tags $15-30/ton. But how much of the new increase holds up remains to be seen. Although firms who buy steel on negotiated long-term contracts won't be directly affected, demand remains firm—with mill utilization rates moving back up to the 90% level. And judging from the brisk pace of incoming orders, **shipment levels should stay strong through the current quarter.**

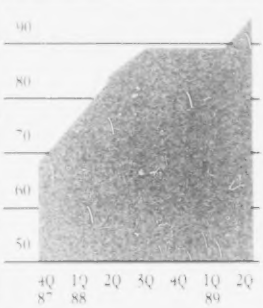
DEMAND: Current bullishness stems in part from recent gains in durable goods production. But hedge purchases could also be playing a role—as concern about mill strikes grow (many of the major producers have labor contracts that expire on or before July 31). All this suggests that the first half will be better than the second half—especially if activity in the auto, construction, and other steel-using sectors slows down. **Second half shipments should hit only 39.5 million tons—well under the 42.5 million estimated for the current six month period.**

SUPPLY: The expected demand slowdown should ease concern about availability and stretched out leads. True, a work stoppage could create problems. But at this stage of the game a major supply interruption seems unlikely—especially since the number one and number three steelmakers (USX and LTV) are not affected by negotiations.

PRICE OUTLOOK: The recent hikes should hold up fairly well in the near term. But look for some modest erosion after midyear—provided, of course, a strike is avoided. Wharton Econometrics sees the composite price dropping to near $534/ton by the fourth quarter—off about 2% from current peak levels. This, in turn, suggests about a 4% increase for the year as a whole—half of last year's estimated 8% jump. Also worth noting: Automakers are likely to resist new mill demands.



will keep a lid on tags—as U.S. chewup for the year barely tops last year's 1.2-million-ton total.



ABS demand holds up

Markets here seem to be avoiding the softness noted in other resin areas. One reason: Prices over the past year rose a lot less precipitously than in other thermoplastics. Then, too, domestic demand has been holding up quite well. For the year as a whole, forecasts now call for about a 3% increase in shipments—not all that bad considering that production potential will be increasing by only about 1%. Prices have just gone up 6¢/lb.—enough to bring the going quote for pipe grade material up into the 93-98¢/lb. range.

Aluminum's slide continues

The slow slide first noted a few months ago is continuing. Market ingot, for instance, has been quoted at around 95¢/lb. in recent weeks—a far cry from the $1.30/lb. peak of last year. Some softness has also been noted for common alloy flat-rolled products. Improving supply could be another downward factor. Thus worldwide output—aided by the reopening of previously shuttered facilities—is currently running 6.5% ahead of a year ago. That's a much bigger gain than noted for consumption over the same period. Not surprising, producer stocks are beginning to rise—with prices for ingot expected to fall as low as 80¢/lb. by summer or early fall.

Alloys climb vanadium ladder

High strength-low alloy (HSLA) plate will be bumped another $10/ton in July. Some size extras are also going up. Blame it all on rising costs of vanadium alloys. On the latter score, vanadium now commands $18.50/lb. (producer basis)—more than three times the $6/lb. quote of just one year ago. That's quite a lot for steelmakers to absorb inasmuch as some HSLA plate contains as much as two pounds of vanadium per ton.

Copper's changeable market

A slow downdrift can be discerned in what otherwise still has to be called an extremely volatile market. And this pattern should persist—with fourth quar-

ter averages dropping down near $1/lb. Signs of easing include rising exchange stocks, new production coming onstream and lessened expectations of big North American strikes. Assuming no such work stoppages, Free World production should rise 5.5-6% this year—allowing for some buildup in worldwide inventories as global consumption advances by about 2%. But this caveat: Should a strike occur, tags could well zoom up again—for current global supplies are put at a relatively low 3.1-3.2 week supply.

Resistance drops nickel prices

The volatile plating and alloying metal has dropped down to near $7/lb.—more than $1/lb. off recent peaks. Behind the sudden bearishness: Resistance on the part of European stainless buyers, expectations of slower second half consumption, and improving supply/demand balance. Indeed, all these factors suggest that the market is in for more slippage—with second half prices falling to $5/lb. or less. But even this would be quite high from a historical perspective—for 1986 and 1987 quotes averaged out at only $1.86 and $2.28/lb., respectively.

Video conferencing price drops

Hardware systems have been cut to as low as $34,000 per site—just one-third the price prevailing as recently as a year ago. Hardware on such small portable systems includes a color monitor, a two-way audio system, and a video codec that permits phone transmission—with all these pieces hooked up to a common phone line. Upshot: Video conferencing equipment sales which totalled only $33 million last year could be approaching the $1 billion mark within a decade.

Air packages are up and down

A mixed picture here. Prices remain soft on small express parcels—in part because Federal Express (the dominant carrier) recently introduced a deferred next-day service that is cheaper than its premium-priced next-morning delivery. On the other hand, Airborne, Fed Ex and United Parcel Service have all imposed hikes averaging near 5% on domestic shipments weighing more than 20 pounds. Exempted from this boost, however, are customers under long-term contract.

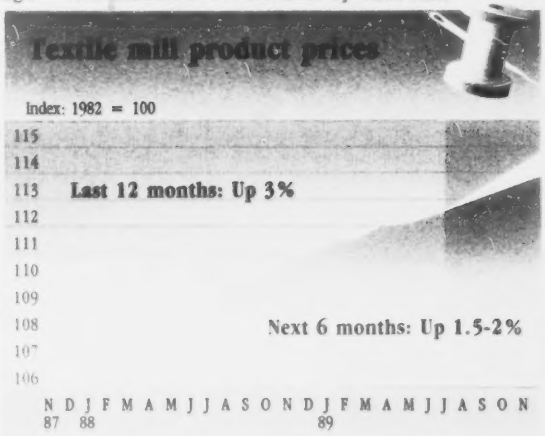
Textile prices edge up

CURRENT SITUATION: Prices are slowly edging higher—prodded by a spate of recent increases in manmade fibers. Mills are paying a lot more these days for such key materials as polyester, nylon, acrylics, and rayon. And while wool and silk have stabilized, tags in these areas are running far ahead of year-ago levels. Domestic production, meantime, has been holding up as import competition levels off. At latest report, for instance, mill output was running close to 2% ahead of last year's average—**enough to put the industry operating rate in the relatively high 80-90% range.**

DEMAND: Mill output, despite some slowdown in overall economic growth, should rack up a respectable 3-4% gain—actually above the fractional advance of last year. Denim should do particularly well. So should fabrics going into women's wear after 1988's disappointing performance in this sector. Sheetings and home accessories are also expected to show gains. Ditto, manmade fibers, where another 4% demand increase seems likely. One factor behind the uptrend: relatively trim inventories. But the import slowdown could be another factor **if the industry can duplicate last year when incoming totals (square yard equivalent) fell 7%.**

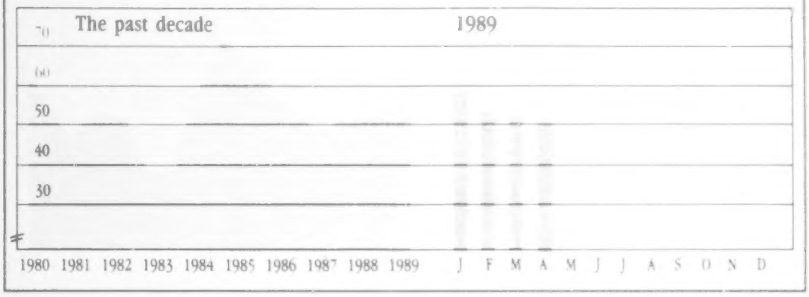
SUPPLY: A few problem areas persist—most notably in manmade fibers such as rayon and polyester where output is running close to full capacity. But fabrics don't seem to be presenting too many problems. Demand is rising, but so is capacity—as last year's double-digit capital outlay gains translate into sizable increases in production potential. Upshot: Operating rates—at least on an overall basis—are likely to remain relatively unchanged, **backing and filling around the 90% level.**

PRICE OUTLOOK: Prodded by continuing advances in manmade fibers, the slow overall rise should persist through the second half. Looking at manmades—tags are already running better than 6% above a year ago—with another 3-4% advance by next fall.



N.A.P.M. business barometer

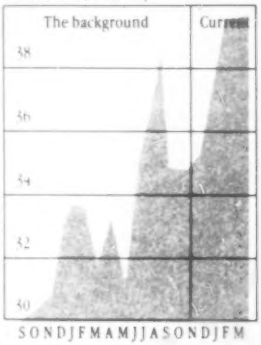
Based on five indicators (employment, inventories, new orders, production, vendor performance)



Leading indicators

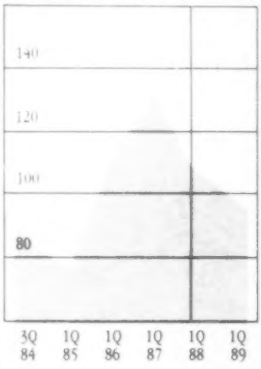
1. Capital goods orders

Billions of $, seas. adj.



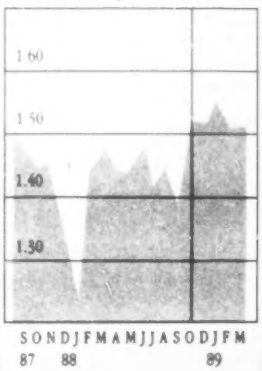
2. Net real imports

Billions of 1982 $, seas. adj. rate



3. Housing permits

Millions, seas. adj. annual rate



KEY ECONOMIC TRENDS

A slowdown isn't a downturn

A modest slowdown in the overall rate of business growth seems inevitable.

Several factors will be contributing to the deceleration. For one, consumers have become a bit more cautious. Witness, for example, the somewhat restrained pace of new auto sales—even in the face of stepped-up financial incentives.

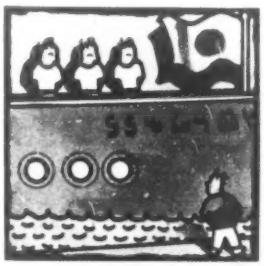
Recent interest rate increases may also be playing a role. These advances that first began in December may finally be having a modest braking effect on overall demand.

But decelerating growth is not the same thing as a downturn. The latter still seems remote as most key indicators remain positive. This is certainly true of the bellwether NAPM Business Barometer (see chart). While down from recent levels, it is still a bit above the neutral 50 mark—and high enough to sustain a GNP real growth rate of around 2.5%.

There are other positive factors around, too. Thus business inventories remain quite low relative to sales—with automobiles being the only notable exception. This insures that, as new orders come in, they will be quickly translated into new production.

Then there is the continuing buoyancy in capital goods—something that reflects supplier efforts to beef up capacity. In any event, non-defense capital orders at latest report, while leveling off, remain far above last year's levels (see chart).

Part of this ordering boom is being fed by exports where the fall-off of the dollar over recent years has made our machinery a lot more attractive to overseas buyers. But export orders are up in other sectors too. Some pretty conclusive proof on this score; An impressive 22% now report gains over the latest month (2.5 times the number who note slippages).



Don't underestimate the impact of this export boom. A new Wharton Econometrics study finds that last year more than half the big 5.7% increase in industrial production (3.3% to be exact) came from the export sector.

Imports, the other side of the trade equation, also offer a reassuring note. Net figures (after exports have been factored out) are still dropping. Indeed, the latest reading is off more than one-third in real terms from the peaks of a few years back (second chart).

That's not to say, of course, that there aren't some problem areas. Aside from the auto situation noted above, housing also leaves a lot to be desired—as rising mortgage rates shut out an increasing number of would-be home buyers.

Not surprising, new housing permits have dropped to near a 1.4 million annual rate—a significant fall from the 1.56 million peak of a few months back (last chart). This, in turn, has prompted a

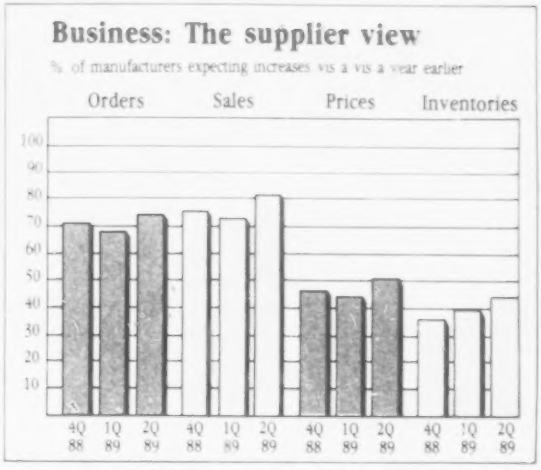
Continued on next page...

downward revision in 1989 housing start forecasts—to just above 1.4 million units—as contrasted to the 1.6 and 1.5 million unit figures noted for 1987 and 1988, respectively.

Another sign of a construction pause: Contract awards are easing. As one analyst put it, "Whenever interest rates rise, there is usually a brief period when the anticipation of higher-cost financing actually stimulates building. We seem to have passed that point and are now beginning to feel the depressing effect of rising rates on the housing market."

Consumer confidence could be still another economic growth inhibiter. The Conference Board's index here has dropped a bit—though this yardstick still remains considerably above a year ago.

Upshot: Most economists are now predicting slower overall advances—with industrial production gains in the third quarter put only in the 2.5% range—well under the 3.5-4% rate expected during the first six months of the year.



Predictions of reduced growth suspect

The nation's corporate executives aren't buying all the recent talk about significantly lower near-term growth.

Quite the contrary, if a new Dunn & Bradstreet survey of 1,500 corporate leaders is to be believed. An eye-opening 81% of reporting manufacturers feel that their sales during the current quarter will be better than a year ago. That compares to the 73% reading of three months ago when a similar question was asked about the first quarter of the year.

But there's one disquieting note: About half of the queried manufacturers expect prices to run ahead of a year earlier this spring. Three months earlier, the comparable price-increase response was only 43%.

Commenting on the shift in price expectations, Joseph W. Duncan, D&B's corporate economist and chief statistician, observes that the uptick was general throughout American business—embracing durable goods suppliers, non-durable goods suppliers and even retailers.

The combination of improving business and rising prices, in turn, is probably why these same people are bullish on profits. Indeed, expectations for stronger earnings are now at their highest levels in five years.

The improved sales outlook reflects similar bullishness in new orders. More to the point: The 74% of manufacturers expecting better bookings this quarter is five percentage points above levels noted during the previous quarter.

Not surprising, improved business expectations are being translated into plans for higher inventories. During the current quarter, for example, some 43% of queried manufacturers were contemplating increases in their holdings—compared to only 39% earlier this year.

But D&B's Duncan sounds a note of caution about these inventory increases—even though they are apparently needed to meet expanding production schedules. This increase, he says, "could prove troublesome later this year. It may be difficult to move goods, if prices continue to climb."

CURRENT PRICES

Valve prices and demand on the rise

Chances are you'll be buying a lot more domestic valves in the years immediately ahead—with U.S. industry demand currently projected to grow at a 6% annual rate (in current dollars) into the early 1990s.

So say analysts at the Freedonia Group who, in a new study, are also forecasting relatively modest valve price increases: The average annual valve tab advance into 1993 is put at only 3.1%.

Generally speaking, automated control and regulating types will show the strongest unit price boosts—as their use in sophisticated process control loops expands. On the other hand, intense foreign-based and

Continued on page 18...

intra-industry competition within the industrial (non-automatic) and construction-related valve markets will hold price hikes in those sectors under the 3% overall average.

Coming back to demand, Freedonia attributes the fair-sized gains to a series of factors—including 1) increased capital spending in the valve-consuming process industries, 2) technology-improved valve designs that are enhancing performance, and 3) an improved global marketing position.

This latter factor, however, won't be nearly enough to erase last year's $400 million trade deficit in valves. The study, for example, sees the U.S. remaining a net valve importer through the forecast period—though the 1993 deficit will drop somewhat (into the $275 million range).

But whatever the source of valves, the biggest demand gains are likely to be centered in the quarterturn industrial valve and solenoid valve segments. Current dollar shipments in both areas are targeted for 7.7% annual increases.

The growth in quarterturns (especially lightweight butterfly and certain ball designs) will result from versatility, ease of operation, and superior sealing capability. These advantages will help quarterturns supplant standard multiturn types of globe, gate, check and related designs. Shipments of solenoid valves, meantime, will grow rapidly because of their cost efficiency and configurability with programmable controllers and microprocessors.

Producer prices stabilizing

Industrial producer price increases seem to be stabilizing—with advances over the past few months averaging out at around 0.5%—or about 6% at annual rate.

A fair amount of the increase can be traced to energy—as the combination of the Alaskan oil spill and OPEC production curbs continues to drive prices up. And further advances in the energy sector seem certain for at least another month—judging from increases in gasoline tags over the past few weeks.

Other energy sectors reporting increases now include home heating oil, diesel fuel, jet fuel, lubricating oil, liquid petroleum gas, electric power and crude petroleum. On the other hand, some recent softness has been noted in both residual fuel and natural gas.

Capital goods also continue to edge up. So far this year, for example, they have been rising at near a 5% annual rate—nothing alarming, but still well above last year's 3.5% average.

Increases here over the past month were recorded in transformers, oil and gas field machinery, paper industry machinery, metal-forming machine tools, office and store equipment and railroad equipment. But motor trucks slipped a bit.

Some advances were also noted in component parts—including electronic devices, bearings, fasteners, and motors and generators.

The raw material picture, however, was more mixed. Generally speaking, durables were stronger than non-durables. But within both groups there were conflicting trends.

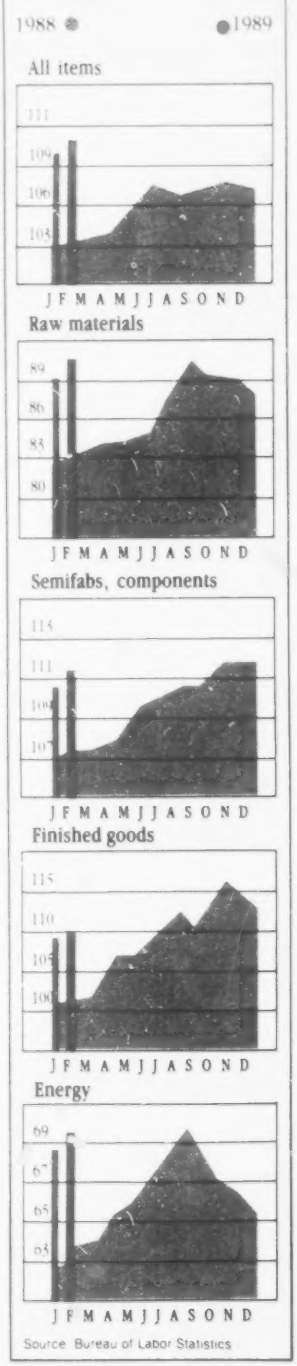
In the metals sphere, for example, increases hit copper, precious metals, zinc and steel mill products. But some modest offsets came from declines in both aluminum and lead.

And in the non-durables sector organic chemicals actually declined—pulling the industrial chemical average down with it. Grey textile fabrics and paint materials were also lower. But these were offset by increases in such areas as paper, paperboard, synthetic fibers, raw cotton, and inedible fats and oils.

Construction, too, seemed to be moving in several different directions last month. The housing slowdown did manage to put dents in pricing for gypsum, plumbing fixtures, brass fittings, flat glass and wiring devices. But nonferrous wire and cable, fabricated structural metal products and lumber millwork all managed to eke out small advances.

Industrial prices

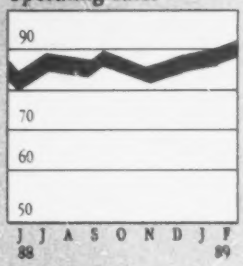
(Index 1982 = 100)



Source: Bureau of Labor Statistics

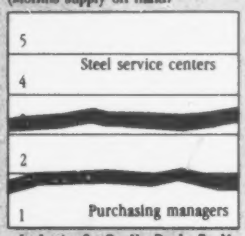
Steel

Operating rates



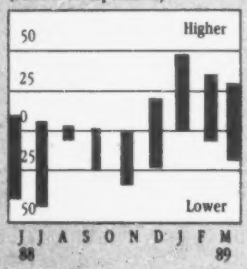
Inventories

(Months supply on hand)

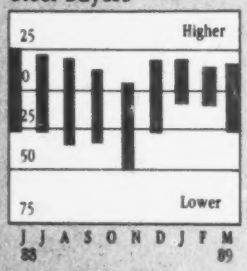


Demand

(Percent of respondents)



Steel buyers



Source: Steel Service Center Institute, NAPM Steel Buyers Committee

PROCUREMENT STATUS REPORT

Delivery performance stabilizes

Good news! Delivery performance—as measured by *Purchasing World's* exclusive leadtime index—has stabilized, with any tendency toward stretchout now neatly balanced out by reports of improvement in other areas.

That's what the latest 50 reading for this key index means. And queried buyers say it reflects a combination of factors—including gradually increasing supplier capacities, better buyer-seller liaison and smaller production gains.

The latter factor is emphasized by Robert J. Bretz, NAPM Business Survey Committee chairman, who observes "Virtually all indicators confirm the considerably subdued growth in the first quarter and signal even more modest growth into the second quarter."

Seasonality could also be behind the delivery improvement. According to NAPM historical data, the biggest seasonal improvement normally occurs in April.

And this could be part of the reason why the NAPM delivery performance index, measuring the percentage of buyers reporting slowdowns, is only reading 51.2. That's only fractionally above the neutral 50 mark and the lowest level in over two years.

Also indicative of better times: The number of commodities on the NAPM short supply list is considerably fewer than in past months. Noticeable by their absence this time around are such key raw materials as aluminum, copper, and ethylene.

Electronic components have also become a bit easier. But there are a few exceptions here. Thus, while dynamic RAM problems are all but gone, there is now some concern about static RAMs.

There are other signs, too, that the worst is over as far as procurement woes are concerned. For one, only 20% of buyers are now committing for production materials more than 20 days in advance—down from the 24% reading of just one month earlier.

PMs are also going slower in inventory accumulation. More to the point: the stock accumulation index has been below the neutral 50 mark for three months running—a pretty good sign that buyers can get most of what they need when they need it.

Import prices

(compared to domestic)

Steel buyers
ABOVE 57%
SAME 29%
SLIGHTLY BELOW 14%
SUBSTANTIALLY BELOW 0%

Service centers (carbon)
ABOVE 4%
SAME 8%
5-10% BELOW 9%
10-20% BELOW 0%
OVER 20% BELOW 0%

STEEL SCENE

Steel demand to take breather

Steel demand could be ready to take a breather—if not over the next month or two then certainly by the start of the third quarter.

Buyers responding to the latest NAPM steel survey now are sounding a note of caution. Thus some 27% expect to cut back on their purchases over the next three months—actually more than the 21% anticipate increases.

The latest Steel Service Center Institute (SSCI) survey suggests that distributors, too feel some deceleration may be in the cards. Specifically, the 10-percentage-point gap between those expecting increasing orders (28%) and those expecting declining orders (18%) over the next three months is well under the 37 percentage point and 19 percentage point gaps of two and one months earlier.

Another sign of distributor caution: SSCI president Andrew G. Sharkey notes that only 21% of his members think general business conditions will improve.

Sharkey, however, sounds a positive note about his industry—noting that its inventory levels are "fundamentally in line given the relatively high levels of service center shipments."

Nevertheless, the industry says it would like to see some further reductions in its holdings. Roughly 43% of service center respondents still rate their inventories as being too high.

Buyers tell much the same story. As for current stocks, they put them at the equivalent of a 1.9

month supply.

Also purchasing managers, like their service center brethren, would like to see further paring: 45% say they plan on declines *versus* only a small 3% who feel some increases may be in order.

Buyers plan on such inventory retrenchment despite concern about supplies. Many, for example, report availability problems in such key lines as plate, hot and cold rolled sheet, and coated sheet.

Despite the possibility of such a demand lull, service centers are not that optimistic about getting price breaks from domestic producers.

On the other hand, there's a small, but growing minority who feel some modest steel price slippage is possible.

Buyers would seem to agree. Indeed, only 14% say price breaks on foreign steel are available—and all of these are dubbed "slight."

This month's breakdown

Index: 1982 = 100

	Latest level (Mar)	% change from: Month ago	Year ago
Bearings	125.5	2.4	13.8
Bolts, nuts, etc.	110.3	0.7	4.6
Chemicals, inorganic	107.6	0.8	9.0
Chemicals, organic	119.5	−1.2	16.5
Concrete products	110.6	0.0	0.7
Corrugated cartons	112.1	0.0	5.7
Cutting tools, small	109.5	0.6	2.8
Electric lamps (bulbs)	123.7	0.0	1.5
Electronic components	119.5	0.3	2.8
Fans and blowers	117.3	0.7	4.5
Foundry and forge products	113.6	0.4	4.9
Fuel oil (residual)	43.5	−0.5	3.8
Furniture, commercial	127.3	0.3	3.7
Gasoline	59.1	3.9	10.3
Glass, flat	110.0	−0.4	0.9
Glass containers	113.9	1.2	1.5
Gypsum products	110.2	−0.6	−2.7
Hand tools	126.3	0.5	5.9
Hand tools, power driven	116.1	0.4	4.8
Industrial furnaces	122.6	0.0	3.5
Integrating and measuring instruments	116.7	−0.3	1.0
Internal combustion engines	112.8	0.1	1.8
Lubricating oil	106.6	0.0	2.8
Lumber millwork	126.4	1.2	4.6
Material handling equipment	110.2	0.2	3.4
Metal containers	109.6	0.0	0.1
Metal mill shapes (nonferrous)	141.9	1.9	15.5
Metal tanks	109.1	0.6	6.6
Motors and generators	129.0	1.2	7.1
Motor trucks	129.0	−1.6	4.2
Office and store equipment	109.4	0.8	2.9
Paperboard	141.6	2.1	8.5
Paper boxes and shipping containers	128.8	0.3	7.2
Paper office supplies	121.2	0.4	7.4
Paint	117.7	0.4	6.6
Plastic resins	140.7	−0.4	13.1
Precision measuring tools	125.4	2.0	5.2
Pumps and compressors	113.6	0.4	6.0
Refractories	119.4	0.2	6.1
Rubber belts and belting	108.8	2.3	3.4
Scales and balances	106.2	0.2	1.1
Steel products	114.7	0.4	6.1
Switchgear	118.3	0.3	5.2
Textiles, synthetic fibers	101.3	0.6	6.5
Textiles, gray fabrics	113.9	−0.6	0.6
Tires and tubes	97.2	−0.4	4.2
Transformers and power regulators	115.0	0.4	6.2
Welding equipment	121.7	0.4	5.3
Wire and cable	147.7	1.2	19.3

NAPM procurement trends

(seasonally adjusted diffusion indexes)

An index where 50 is defined as the neutral level, to the extent a reading is above 50, it represents an expansionary tendency. More particularly, rising inventory prices, and new orders are seen as positive signs of economic growth. A trend toward slower deliveries is similarly interpreted.

Inventories

Speed of delivery

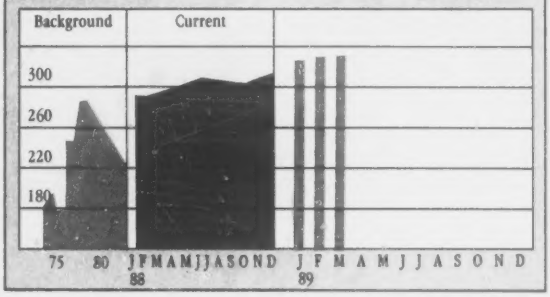
Prices

New orders

Raw material price barometer

(Index 1967 = 100)

Last month 334.6
Month before 329.3
Year ago 292.3



Latest spot market prices

	Latest price	Previous month	Year ago
FERROUS METALS			
Pig iron, basic, valley, gross ton	213.00	213.00	213.00
Pig iron, Bessemer, Pitts., gross ton	213.00	213.00	213.00
Steel, billets, Pitts., net ton	367.00	367.00	367.00
Steel, structural shapes, Pitts., cwt.	23.90	23.90	23.90
Steel, structural shapes, Chi., cwt.	23.90	23.90	23.90
Steel, structural shapes, Los Angeles, cwt.	23.90	23.90	23.90
Steel, bars, dlvd. Phila., cwt., merchant quality	18.70	18.70	16.50
Steel, bars, Pitts., cwt.	18.70	18.70	16.50
Steel, bars, C.R., Pitts., cwt.	25.20	25.20	19.45
Steel, plates, Pitts., cwt.	23.25	23.25	19.75
Steel, plates, H.R., Pitts., cwt.	23.25	23.25	19.75
Steel, sheets, C.R., Detroit, cwt.	29.65	29.65	28.15
Steel, strip, C.R., Chi., cwt.	36.18	36.18	36.18
Steel, basic wire, Pitts., cwt.	23.65	23.65	23.65
NONFERROUS METALS			
Aluminum, ingot, lb. (market place)	.935	1.030	1.110
Antimony, N.Y., dealer, lb.	.99	1.00	1.09
Beryllium-copper, cost ingot, lb.	5.90	5.90	5.90
Brass, red, 85%, [sheet], lb.	2.13	2.17	1.76
Brass, yellow, [sheet], lb.	2.09	2.13	1.71
Cadmium, N.Y., dealer, lb.	7.10	7.90	8.50
Copper, electrolytic, wire bars, refd., lb.	1.50	1.54	1.12
Copper sheet, over 24 in., lb.	2.22	2.26	1.84
Lead, common, N.Y., lb.	.35	.35	.34
Magnesium, pig ingot, [99.8%], lb.	1.63	1.63	1.53
Mercury, 20 fl. lots, N.Y., fl.	295.00	320.00	345.00
Molybdenum, oxide, dealer, lb.	3.72	3.78	3.70
Nickel, cathode, dealer, lb.	6.98	8.20	8.40
Platinum, dealer, oz.	523.00	540.00	533.00
Silver, N.Y., oz.	5.80	5.90	6.42
Tin, N.Y., dealer, lb.	4.40	4.02	3.19
Zinc, Prime West, East St. Louis, lb.	.90	.95	.52
Zinc, die casting alloy, No. 3, lb.	.980	1.030	.545
PAPER			
Uncoated book #3 offset, ton	1020.00	1020.00	890.00
Watermarked bond, ton	1095.00	1095.00	985.00
Gummed sealing tape, carton	18.86	18.84	17.42
Grocery sacks, ton	460.00	460.00	435.00
Solid bleached paperboard, ton	730.00	730.00	650.00
Kraft linerboard, 42 lb., unbleached, ton	440.00	440.00	410.00
TEXTILES			
Burlap, 10 oz., 40", N.Y., yd.	.283	.283	.280
Cotton drill, 1.85, 59", 68x49, N.Y., yd.	1.22	1.18	1.22
Cotton middling, 1", N.Y., lb.	.600	.555	.613
Printcloth, 48", 80x80, N.Y., spot, yd.	.500	.500	.540
Army duck, 37", 13 oz., yd.	1.50	1.50	1.51
Blended printcloth, 64", 78x54, yd.	.75	.74	.72
20s combed yarns	1.80	1.80	2.04
Wool 64s, Staple, lb.	3.75	4.18	4.50
CHEMICALS			
Acrylonitrile, tanks, lb.	.400	.400	.395
Ammonia, anhydrous, tankcars, Gulf Coast, ton	123.00	125.00	100.00
Benzene, petroleum, tanks, Houston, gal.	1.50	1.55	1.15
Caustic soda, 76% solid, drums, carlots, cwt.	28.00	28.00	26.00
Cresylic acid [over 25%], tanks, lb.	.55	.55	.58
Formaldehyde, USP, 37%, [12% to 15% meth.], tanks, lb.	.106	.106	.106
Glycerine, synthetic, tanks, lb.	.795	.785	.685
Methanol, syn., tanks, 4,000 gals., f.o.b. Gulf Coast plants	.52	.52	.53
Naphthalene, crude, tanks, lb.	.16	.16	.22
Phthalic anhydride, tanks, lb.	.41	.41	.34
Polyethylene resin, low density liner film grade (market place), lb.	.490	.500	.425
Polypropylene, homopolymer grade (market price), lb.	.460	.460	.495
Polystyrene, general purpose grade (market price), lb.	.585	.585	.580
Polyvinyl chloride, pipe grade (market price), lb.	.435	.440	.400
Soda ash, 58%, light carlots, cwt	6.15	6.15	6.15
Styrene monomer, 99.6%, tanks, lb.	.49	.50	.46
Sulfur, crude, ex-terminal, Tampa, Fla., lt.	142.00	142.00	127.50
Sulfuric acid, 66%, commercial, tanks, ton	66.86	66.86	66.86
Titanium dioxide, anatase, reg., carlots lb.	.95	.95	.80
Xylene tanks, gal.	1.45	1.50	.89
BUILDING MATERIALS			
Lumber, 2x4 fir, mbf, cl	326.95	327.44	326.30
Lumber 2x2 pine, mbf, cl	321.47	313.06	332.35
Plywood, plyform, ¾", msf, cl	570.00	550.11	579.45
Plywood, ¾", msf, cl	370.22	368.33	415.40
Cement, bulk, ton, tl	63.88	63.53	64.44
Sand, ton, cl	7.17	7.18	7.32
Ready-mix concrete, 3,000 psi/cu. yd., 15 cu. yd.	48.81	48.69	49.04
Crushed stone, 1½", ton, cl	6.36	6.60	N.A.
Concrete blocks, sand/gravel, 8"x8"x16", per hundred	87.17	86.72	N.A.
Reinforcing bars, whse base; per cwt	21.32	20.85	20.37
Asphalt paving AC-20	108.53	107.51	131.99
Vitr. Clay Sewer Pipe, Prem Joint, 12", per ft, cl	7.54	7.43	7.14
Concrete sewer pipe, 24", prem. joint, per foot, cl	17.90	17.96	N.A.
FUELS			
Crude oil (W. Tex Int Cush), bbl.	20.65	19.30	18.10
Diesel (reseller rack, Chi), gal.	.5735	.5110	.5380
Fuel oil No. 2 (N.Y.), gal.	.5500	.5775	.5100
Fuel oil No. 2 (Gulf spot), gal.	.5070	.4750	.4800
Fuel oil No. 6 (N.Y.) contract cargo, bbl.	22.25	18.75	15.50
Gasoline (reg lded NY), gal.	.7135	.5435	.5335
Gasoline (reg unlded NY), gal.	.6985	.5285	.5210
Kerosene (reseller rack, Chi), gal.	.6590	.5960	.5900
Propane (Mt. Belvieu, Tex), gal.	.2175	.2063	.2435
SCRAP MATERIALS			
Steel, No. 1, hvy., dlvd., Pitts., ton	114.00	116.00	113.00
Steel, No. 1 hvy., dlvd., Chi., ton	113.00	113.00	117.00
Copper, No. 1, East, wholesale buy, dlvd., lb.	1.195	1.160	.925
Copper, No. 2, East, wholesale buy, dlvd., lb.	1.120	1.105	.845
Brass, red, East, wholesale buy, dlvd., lb.	1.155	1.120	.885
Brass, yellow, East, wholesale buy, dlvd., lb.	.610	.610	.425
Alum., old sheet/cast, E., wholesale buy, dlvd., lb.	.645	.675	.695
Alum., mixed clip., E., wholesale buy, dlvd., lb.	.725	.760	.785
Zinc, old, East, wholesale buy, dlvd., lb.	.380	.380	.240
Lead, clean solids, East, wholesale buy, dlvd., lb.	.235	.210	.205
Paper, No. 1 mixed, dlr., N.Y., ton	Nom.	Nom.	Nom.
Paper, old corrug. box, dlr., Chi., ton	Nom	Nom.	25.00
Paper, old corrug. box, dlr., N.Y., ton	Nom.	Nom.	10.00
Old newspapers, Chi., ton	Nom.	Nom.	15.00
Old white ledger, Chi., ton	75.00	75.00	75.00

[Sources: Metals Week, American Metal Market, Engineering News-Record (20-city averages), The Wall Street Journal, Journal of Commerce, Chemical Marketing Reporter.]

Which way purchasing

by Paul Farrell, editorial director

in the '90s?

be like in the coming decade and the changes that will occur in the function. While the study is still going on, it appears that these characteristics will likely be emphasized:

☐ A clear link between purchasing and an organization's long-term strategy.

☐ A materials management orientation leading to communication, coordination and control between all functions involved in the flow of materials.

☐ Systems for long-term development of people, rather than only one-shot techniques training.

☐ Strategic working partnerships with both internal users and a limited number of suppliers.

☐ A focus on contribution to the long-term bottom line, rather than only short-term profit.

☐ Emphasis on providing optimum service to internal users.

☐ Leverage of purchasing volume, made possible by better information and development of supplier alliances.

☐ Better systems of measuring purchasing performance.

If purchasing develops as described above, these changes will likely take place:

☐ Non-traditional people in top purchasing management jobs. More people will be moving into the top job from marketing, engineering, finance and operations.

☐ Design engineering and purchasing merge in many companies because of emphasis on quality as a competitive weapon.

☐ Technical entry route into purchasing in many companies, made necessary by the meld of design engineering and purchasing.

☐ Emergence of purchasing as materials planning, sourcing and contracting; scheduling and expediting performed elsewhere.

☐ Change of the supplier base because of more single sourcing; shrinking number of vendors; more buyer-supplier alliances; sharing of design information.

☐ Electronic data interchange with suppliers becomes the norm.

☐ Incoming transportation function is absorbed into the buyer's job.

☐ Sourcing includes the complete end product in many instances as a part of overall long-term strategy.

☐ Sourcing of complete end products shifts technology away from the buying firm to the supplier. Such decisions require the right strategy and analysis.

☐ Global sourcing becomes less important as the U.S. dollar declines. The quality advantage of foreign suppliers shrinks as domestic vendors develop more sophisticated quality systems.

☐ Purchasing plays a bigger role in acquisition of services.

The forces that can cause these changes are already in place. It surely will be a challenging decade for purchasing!

Interpersonal skills will be important

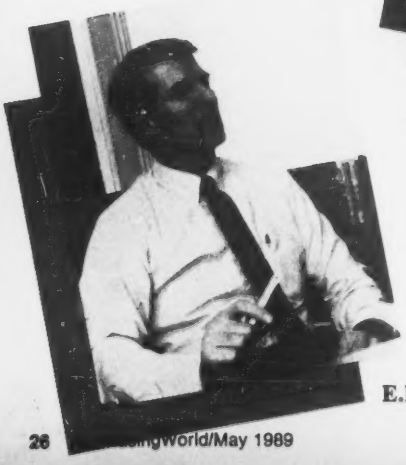
E. M. "Marty" Carhart, Director of Purchasing Development, Air Products and Chemicals, Inc.

For a company to survive and prosper in the 1990s, the purchasing manager will have to be able to:

Elaine N. Whittington

Richard L. Jackson

Harold E. Fearon



E.M. "Marty" Carhart

☐ Extend and deepen the function's understanding of the ever-changing needs of customers, while integrating rapidly advancing technology into new and innovative responses.
☐ Provide effective leadership for the total procurement network in order to capture the collaborative power of team members.
☐ Bring global supply markets into focus and develop partnerships with those suppliers who best complement the company's business objectives.

Although the next decade will be change- and technology driven, interpersonal skills will become increasingly important. Leadership in business involves getting things done with large groups of people with diverse interests over whom one never has control.

I believe, therefore, the purchasing manager's ability to succeed will rest on his or her ability to lead through effective persuasion. Purchasing professionals will need to focus on ultimate customer satisfaction, catalyze links between procurement network members and reward team players, incorporate unique talents and knowledge from global sources, and make mutual trust and integrity the linchpin of the purchasing network relationship.

NAPM, profession, will grow together

Elaine N. Whittington, C.P.M., Senior subcontract administrator, Lockheed California Corp.

As we approach the final months of the '80s, it is appropriate to reflect on where purchasing and NAPM have been and what the future holds. This year the association has focused on goals that will move the profession toward an even higher level of excellence in the '90s.

We have begun to update NAPM's strategic plan. It includes the statement that the association wishes to maximize the development and attainment of excellence in all aspects of purchasing, and to optimize American productivity and global competitiveness.

NAPM will concentrate even harder on efficient delivery of product to

its members. Volunteers will be more involved in planning and the national staff will be responsible for delivery. We must develop a closer relationship with the affiliates and with individual members for our future success and welfare.

In our crystal ball we see the expansion and success of the Center for Advanced Purchasing Studies (see earlier remarks by Hal Fearon); the acceptance of the Certified Purchasing Manager designation as a yardstick of professional competence; the registration of the C.P.M. in Washington, DC, and the awareness of NAPM by our lawmakers in the national capitol. Finally, we see the growth of the professional purchasing image.

More partnering, EDI and overseas buying

Richard L. Jackson, C.P.M., Manager, export purchasing, ICI Americas

The number of companies using partnering will grow in the next 10 years. In the past, many purchasing managers had to write a justification for using a sole source. Things will be different in the '90s: A management team of purchasing, engineering, production and quality assurance will thoroughly investigate sources to determine the one or two best suppliers.

New methods and equipment will enable purchasing managers to use their time more effectively in decision making and strategic planning. Most departments will be suing electronic data interchange, and thus have immediate access to all relevant details of a transaction.

To help their companies remain competitive, purchasing mangers will have to investigate global sourcing thoroughly.

They will have to know overseas markets, how currency fluctuations affect their costs, how to establish credit and when to use drafts or letters of credit. They will have to be able to establish good working relationships with brokers or forwarders. They should be aware that overseas suppliers prefer—or even require—face-to-face discussions and negotiations on important contracts.

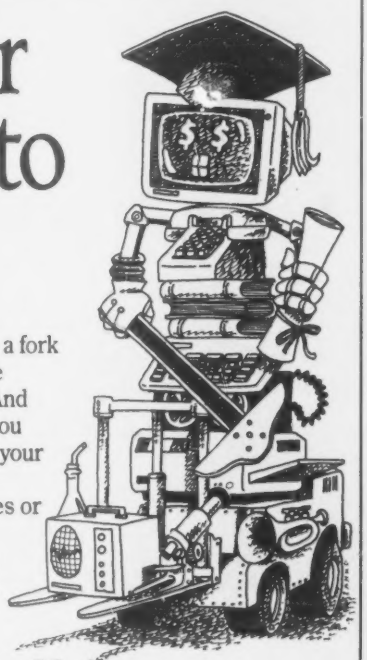
By the end of this century, more than 50% of purchasing jobs will be held by women. Purchasing professionals will be challenged to be the very best they can be. ***PW***

Readers preview the '90s

Surveyed as to what they expect to see happening in purchasing during the next decade *PW* readers responded as follows:

1. Fewer people handling more work—75%
Current personnel/workload ratio remaining the same—13%
Larger staffs to handle increased responsibilities—12%
2. Greater demand for engineers in purchasing—20%
Greater demand for MBAs—35%
Continued preference for business majors with technical backgrounds—45%
3. Dramatic increase in use of high-tech equipment—90%
(Examples cited most often: Personal computers, electronic data interchange, computer-to-computer link-ups with suppliers, more powerful software, fax machines, word processors)
4. Increased purchasing participation in corporate planning and strategy—80%
5. Acceleration of present trend toward narrowing of supplier bases—50%
Continuation of present pace—48%
6. Acceleration of present trend toward long-range contracts with fewer suppliers—60%
Continuation of present pace—40%
7. Increase in globally oriented procurement—50%
No great change in current volume of such procurement—50%

Send Your Cast-offs to College.



Anything from lab equipment to a fork lift, new or used, can be a valuable donation to 100 worthy colleges. And under IRS SECTION 170(E)(3), you may be able to deduct up to twice your cost for certain excess inventory. You can ship directly to our colleges or warehouses coast to coast.

Call us today, it's a great way to turn your cast-offs into write-offs.

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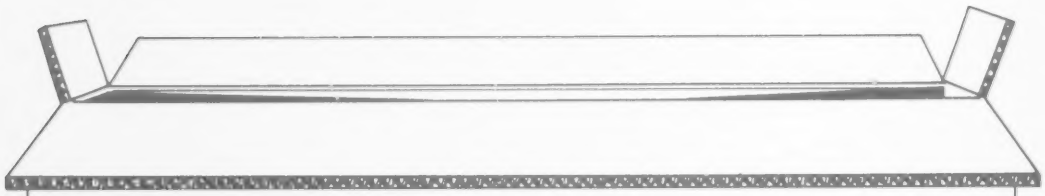
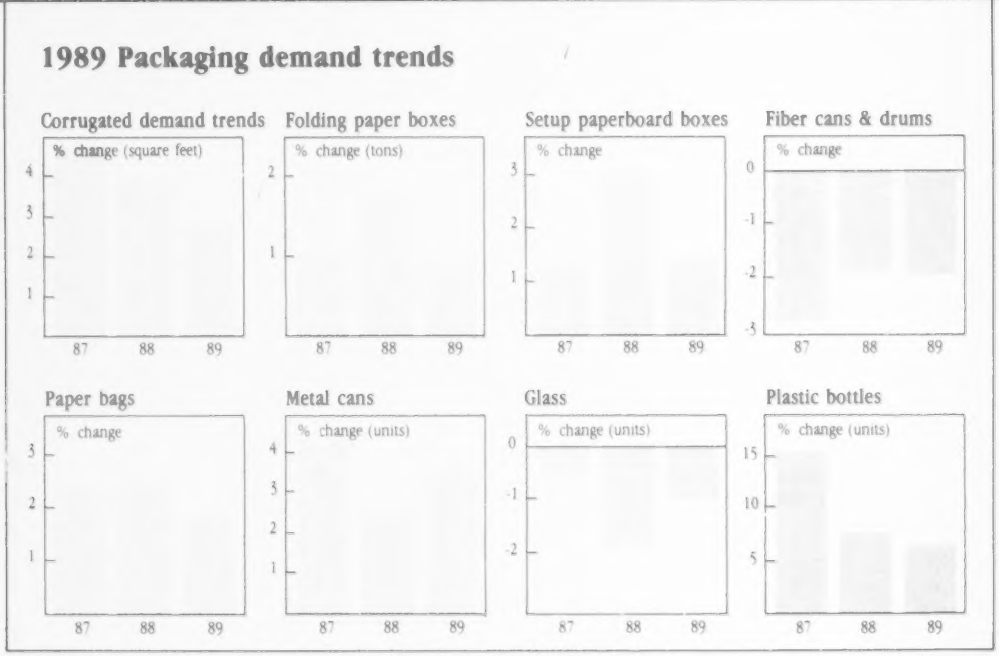
Circle 162 on card

Packaging price increases slow





It's beginning to look like mixed signals as far as 1989 packaging trends are concerned. Demand will be up, but not everywhere; price increases will depend not only on what you buy, but where, and your bargaining clout.

Even cost pressures will be mixed. Thus while linerboard and can stock have recently been boosted, another key material (plastics) has begun to soften.

Also buyers aren't going to take things lying down. A new nationwide *PurchasingWorld* survey suggests that more and more PMs are questioning increases—often threatening to go to another supplier unless adjustments can be made to the new postings.

On the other hand, the consensus is that some price increases will be inevitable—at least on an overall average basis. The new *PW* survey puts the average 1989 increase in the 4-6% range (see chart)—with corrugated and folding boxes most often mentioned as candidates for near-term price increases.

While hardly Nirvana, this is a lot

better than last year when *PW* readers estimated that their packaging costs advanced 6-7% on a combination of rising raw material costs and big demand gains.

Increases in the government's packaging yardstick (the Bureau of Labor Standards producer price index for containers) should follow this overall deceleration trend. This latter index rose about 5% last year—with current projections suggesting a somewhat slower 4% rate of growth for the current year.

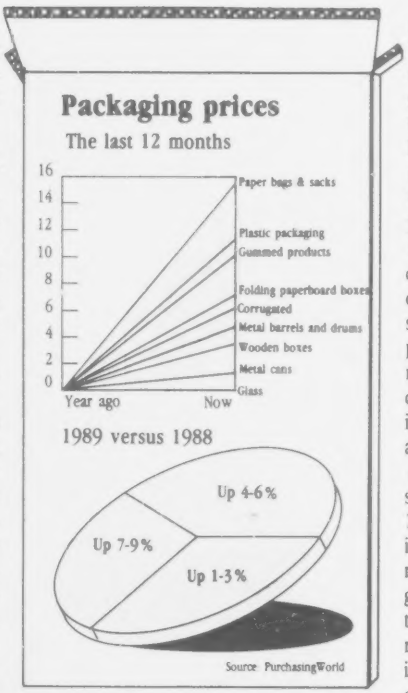
But as noted above, talking in terms of averages can be deceptive. Biggest increases are likely to be in corrugated boxes where a 5-6% boost seems to be shaping up for the year as a whole—as converters seek to pass along a new $30/ton advance in linerboard. But the new corrugated price forecast is still under the big 8.5% increase racked up in this key packaging material last year.

This price rise slowdown in corrugated should not be underestimated—for it makes up the biggest segment of packaging outlays. Dollar shipments last year topped the $17 billion mark. And this year's total should easily rise above $18 billion—even with the relatively modest price hikes that are envisioned.

Not all packaging modes will have the advantage of decelerating price gains. Metal cans, barrels and drums are cases in point: Prodded by higher steel and aluminum costs, prices here are likely to accelerate somewhat this year. *PW* equations, for example, point to a 4-5% rise this year—up significantly from the 1-2% boost of 1988.

Any rise in glass containers, meantime, is likely to be a lot more subdued—on a combination of adequate supplies and continuing losses in plastics. Upshot: prices here will be lucky to advance 2-3%.

Plastic packaging tags, meantime, may advance by a lesser amount. There has already been some flattening out in such resins as polyethylene, polypropylene and polystyrene. And with all these resins expected to be in better supply this year, the moderating trend should continue.



The mixed outlook just noted for prices is also applicable to demand. Here's a more detailed mode-by-mode rundown on what to expect in the way of demand changes—both this year and into the 1990s.

● **Corrugated cartons:** A modest slowdown from last year's 3.5% advance is projected. But the estimated increase (near 2.5%) will still be close to the industry's long-term 2.4% average annual growth rate. All in all some 315 billion square feet of corrugated boxes should clear the market—about 7.5 million more than in 1988.

● **Folding paperboard boxes:** A 1% boost (versus 1.8% in 1988) assures the fourth consecutive year of growth. But totals will still be a bit under the near 2%-increase projected for all paperboard packaging. Long-term growth is put near 1.2% a year.

● **Set-up paperboard boxes:** More modest 1989 growth (1.4% *versus* 3.1% in 1988) is predicated largely on expected smaller gains in consumer disposable income which, in turn, should put a damper on outlays for higher-priced packaged luxury goods. Long-term growth here is estimated at slightly under 1.5% a year.

● **Fiber cans:** Another near-2% decline is forecast—with most of the erosion traceable to an expected sharp drop in composite fiber, as plastic types make continued inroads. But some recovery is seen over the longer pull—though gains into the early 1990s will probably average out around 1% a year.

● **Paper bags:** Some slight 1989 slowdown (1.9% *versus* 2.5% in 1988) is seen. Reason: Slow growth in retail demand as plastic types make more inroads into the large grocery bag and sack market. Long-term growth should remain in this relatively low 2% range—especially if new degradable plastic bags catch on.

● **Metal cans:** Some 116.2 billion units should clear the market this year—a relatively large 3.7% advance compared to the 2.6% increase recorded last year. Spearheading the boost will be increased use of cans in the soft-drink packaging mix and more interest in multipak purchases. Long-term growth, meantime, is estimated near 3% a year.

There are developments on the substitution front here, too—namely increasing interest in steel cans on the part of breweries. Indeed, over the past year interchangeable (aluminum or steel) production lines have been started up which permit the switching from one metal to another if the economics of a conversion so dictate.

One recent study by Wharton Econometrics Forecasting Associates, for example, finds that steel (exclusive of manufacturing and conversion costs) can yield a savings of anywhere from $4-7 per thousand cans.

● **Glass containers:** The 273.4 mil-

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lion gross projected for 1989 means another 1% decline on top of last year's near-2% slippage. Most of the loss is attributable to conversions to plastic (especially in general packaging).

Factors behind this bottoming out in demand after recent declines: Glass's inherent positive qualities—such as high consumer acceptance, image of purity and prestige, microwavability, barrier properties, and recyclability.

● **Plastic containers:** Growth is still the name of the game here—as the 7.6% unit increase this year drops only slightly from last year's 8.7% spurt. Big gains are seen for carbonated soft drink and "other" beverages (13% for both categories).

In other areas, flexible plastics should continue to make some modest inroads into corrugated cartons—especially shrink and stretch films used to consolidate palletized leads. But on a somewhat more cautious note, it's uncertain whether all the gains projected for plastic packaging types can continue indefinitely—if only because of the rising concern over plastic waste disposal.

But whatever the individual demand patterns, most buyers are pretty much agreed on one point: Supplies should not be a problem.

The big reason for this optimism is the improvement in basic raw material availability. Metals, paper and plastics are all in a lot better supply than they were last year.

This supply improvement, coupled with less upside vendor cost pressure, and a determination on the part of the buyers to keep packaging outlays within bounds, suggests that the worst of the recent packaging price runup is behind us.

As for what buyers are doing—hard-nosed bargaining is at the top of the list.

As one midwestern PM sums it up: "Sure, we'll have to accept some price increases this year. But where last year the gains topped those for general inflation, this year we expect to keep them under the overall U.S. price average." **PW**

Glass filter slashes computer monitor glare

Capable of absorbing 95% of reflected light internal and external to a computer monitor is the Curtis Mfg., all-glass, optically-coated, anti-glare filter. As compared to a filterless monitor screen, use of the filter heightens contrast and character resolution, is sharper and clearer, making text and graphics easier to read.

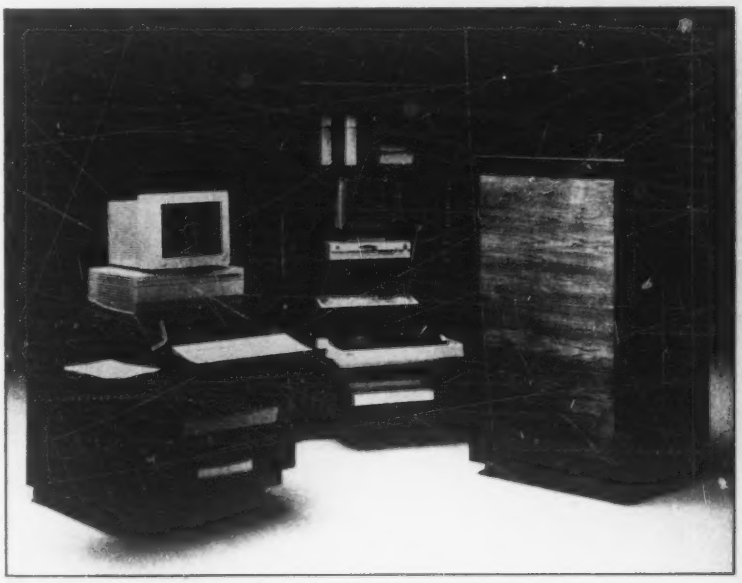
The product comes in seven different sizes to fit more monitors. Velcro® fasteners are provided to install the filter which carries a manufacturer's suggested retail price of $59.95. *Curtis Mfg. Co. Inc.* **Circle 127**

Water/flotation office seating

Water-filled seats and backs are featured in the new office seating group from Aqua Comfort. The initial products include a high back executive chair with tension adjustable knee tilt control and forward lock, a low back executive chair, and a task chair with gas lift, forward tilt and positioning lock.

Special construction of the furniture allows seat-to-lower-back flow of water that is personalized by your shape and size. Just add water for more firmness or remove some for less. The water-filled cushions conform around you.

Five standard colors are available. *Aqua Comfort Inc.* **Circle 130**



Locking, mobile, PC security cabinet

Designed to house, and secure, virtually all personal computer products is the PC security cabinet by Steelcase. It contains keyboard and printer shelves that pull out for easy access to equipment. It may be specified with up to two shelves to accommodate the processor, monitor and storage units. A reference shelf provides additional working space.

The cabinet's "wire manager" routes and protects wires and cables through a built-in, single-switch power strip. Locking tambour doors secure equipment and data when the unit is not in use.

Three sizes of the cabinet are available: 30-, 53- and 65-inches tall. *Steelcase Inc.* **Circle 131**